

December 13, 1999

TO: Senator Sid Snyder, Chair
Senator Dan McDonald
Representative Hans Dunshee
Representative Brian Thomas
Fred Kiga, Director, Department of Revenue
Marty Brown, Director, Office of Financial Management

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: DECEMBER 10, 1999 REVENUE COLLECTION REPORT

General Fund-State receipts were \$15.7 million below the estimate for the month based on the just completed November forecast (see Table 1). Revenue Act taxes (retail sales, use, business and occupation and public utility taxes) and lottery General Fund transfers account for the shortfall. Non Revenue Act taxes were a little higher than forecast for the month. Although overall receipts were less than expected this month, economic activity continues positive and is behaving about as we assumed in the November forecast. This month's shortfall is primarily due to two special factors. First, the estimate this month assumed payment of a large assessment. Although we did receive payment of nearly \$14 million, the amount paid was less than half what was assumed. With payment, the taxpayer also filed notice to appeal the unpaid portion of the assessment. Second, a large unexpected refund of more than \$4.8 million was issued this period. These two transactions account for virtually the entire \$20.6 million Revenue Act shortfall, and more than the entire \$15.7 million negative variance. Nationally, the economy is continuing to expand, adding 276,000 jobs in October and 165,000 jobs in November with an unemployment rate of 4.1 percent. While the labor market remains tight, wages and prices do not appear to be accelerating. Employment at the state level is also expanding, although it continues to slow as the cumulative impact of significant job losses in aerospace continue to mount. Overall, the economy and revenue appears to be on track with the November forecast.

As expected, Revenue Act collection growth slowed a little this month. Collections this period primarily reflect October activity of monthly taxpayers. Receipts were 4.7 percent above the year-ago level (adjusting for special factors) well below the near 9 percent increase the last two months. However, even with the weaker October, Revenue Act growth for the first four months of fiscal 200 has still averaged a strong 6.5 percent.

Other General Fund taxes collected by the Department of Revenue were above expectations for the month of October, exceeding the estimate by \$6.8 million. Stronger than expected property and estate tax receipts more than offset weaker than expected real estate excise, timber, cigarette, and liquor taxes. Property tax receipts were \$7.5 million above the estimate for the month. However, most of this is assumed to be due to a change in the seasonal payment pattern and will be offset by weaker collections in future months. Real estate excise activity slowed a little, with October closings (reflecting real estate excise tax payments to the state in November) 1.0 percent below the year-ago level. This is the first year-over-year decline since June, although it is not surprising given rising interest rates and slower employment growth. For the fiscal year-to-date, real estate activity is still a solid 5.0 percent higher than a year-ago. Activity was up 4.3 percent in King County in October but declined 9.6 percent in Snohomish County, 10.9 percent in Pierce County and 1.1 percent in the rest of the state.

Other Agencies' General Fund collections were \$1.4 million less than expected in November. The Department of Licensing General Fund collections were \$0.4 million more than expected for the month. The Lottery's General Fund deposits were \$1.7 million below the November estimate reflecting weak sales.

The attached table 1 provides a comparison of collections with estimates for the current midmonth period, November 11- December 10, and cumulatively since our last forecast. The cumulative variance since the last forecast shown in Table 1 is virtually the same as the variance for the current month because the monthly estimates based on the November forecast reflect actual collections through November 10, 1999. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

TABLE 1
Revenue Collection Report
December 10, 1999 Collection Report - Based on the November 1999 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
November 11 - December 10, 1999				
Department of Revenue-Total	\$974,017	\$959,645	(\$14,372)	-1.5%
Revenue Act** (1)	615,299	594,687	(20,612)	-3.3%
Non-Revenue Act(2)	358,718	364,958	6,240	1.7%
Liquor Sales/Liter	7,050	6,840	(210)	-3.0%
Cigarette	5,133	5,025	(108)	-2.1%
Property (State School Levy)	274,421	281,926	7,505	2.7%
Estate	8,082	8,649	567	7.0%
Real Estate Excise	33,416	32,456	(959)	-2.9%
Timber (state share)	5,673	5,483	(190)	-3.3%
Other	24,943	24,578	(365)	-1.5%
Department of Licensing (2)	615	975	360	58.4%
Lottery (2)	11,807	10,084	(1,723)	-14.6%
Total General Fund-State***	\$986,439	\$970,704	(\$15,735)	-1.6%
Cumulative Variance Since the November Forecast (November 11 - December 10, 1999)3				
Department of Revenue-Total	\$974,017	959,645	(14,372)	-1.5%
Revenue Act** (3)	615,299	594,687	(20,612)	-3.3%
Non-Revenue Act(4)	358,718	364,958	6,240	1.7%
Liquor Sales/Liter	7,050	6,840	(210)	-3.0%
Cigarette	4,708	5,025	317	6.7%
Property (State School Levy)	274,421	281,926	7,505	2.7%
Estate	8,372	8,649	277	3.3%
Real Estate Excise	33,378	32,456	(921)	-2.8%
Timber (state share)	5,673	5,483	(190)	NA
Other	25,116	24,578	(538)	-2.1%
Department of Licensing (4)	615	975	360	58.4%
Lottery (4)	11,807	10,084	(1,723)	-14.6%
Total General Fund-State***	\$986,439	\$970,704	(\$15,735)	-1.6%

1 Collections November 11 - December 10, 1999. Collections primarily reflect October 1999 activity of monthly taxpayers.

2 November 1-30, 1999 collections.

3 Cumulative collections, estimates and variance since the November forecast; (November 11-December 10, 1999) and revisions to history.

4 Cumulative collections, estimates and variance since the November forecast; (November 1999 and revisions to history.)

* Based on the November 1999 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue, the Department of Licensing and the Lottery Commission, about 97% of total General Fund-State.

TABLE 2
November 10, 1999 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections Preliminary</u>	<u>Revised</u>	<u>Difference Amount</u>	<u>Percent</u>
October 11- November 10, 1999				
Department of Revenue-Total	\$882,143	\$882,143	\$0	0.0%
Revenue Act (1)	781,414	781,414	(0)	-0.0%
Non-Revenue Act(2)	100,729	100,729	0	0.0%
Liquor Sales/Liter	6,578	6,578	0	0.0%
Cigarette	5,474	5,474	(0)	-0.0%
Property (State School Levy)	32,705	32,705	0	0.0%
Estate	7,953	7,953	0	0.0%
Real Estate Excise	35,020	35,020	0	0.0%
Timber (state share)	0	0	0	NA
Other	12,999	12,999	0	0.0%
Department of Licensing (2)	803	803	0	0.0%
Lottery (2)	6,926	6,926	0	0.0%
Total General Fund-State***	\$889,872	\$889,872	\$0	0.0%

Cumulative Variance: September 11 - November 10, 1999 & Revisions to History

Department of Revenue-Total	1,542,018	\$1,542,018	(\$0)	-0.0%
Revenue Act (3)	1,371,592	1,371,592	(0)	-0.0%
Non-Revenue Act(4)	170,426	170,426	(0)	-0.0%
Liquor Sales/Liter	13,281	13,281	(0)	-0.0%
Cigarette	11,853	11,853	0	0.0%
Property (State School Levy)	40,070	40,070	(0)	-0.0%
Estate	15,796	15,796	(0)	-0.0%
Real Estate Excise	71,962	71,962	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	17,465	17,465	(0)	-0.0%
Department of Licensing (4)	2,058	2,058	0	0.0%
Lottery (4)	13,545	13,545	0	0.0%
Total General Fund-State***	1,557,621	\$1,557,621	(\$0)	-0.0%

P-Preliminary. Reported in the November 10, 1999 collection report.

R Revised data.

1 Collections October 11 - November 10, 1999. Collections primarily reflect September 1999 business activity of monthly taxpayers and July-September business of quarterly filers.

2 October 1-31, 1999 collections.

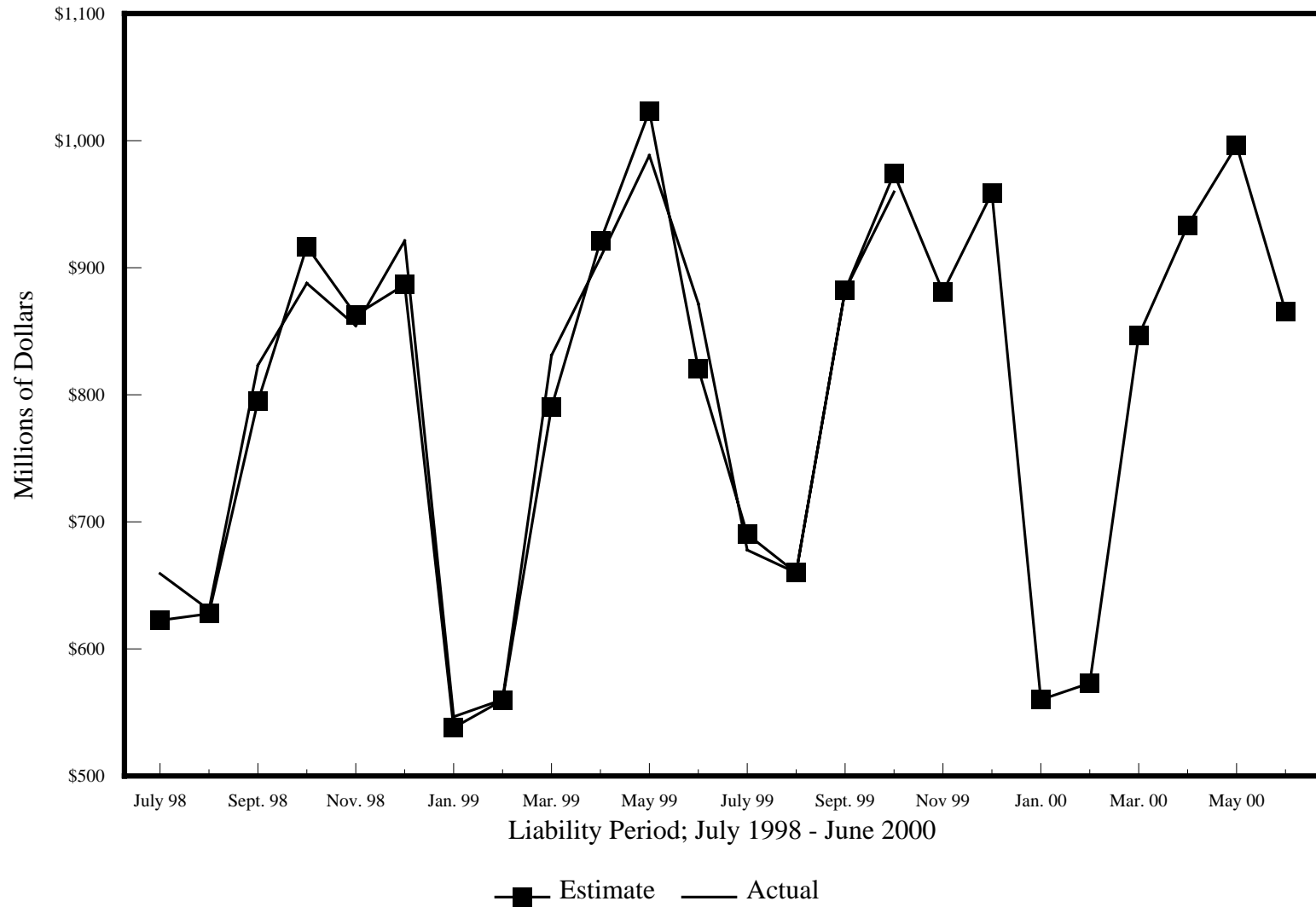
3 Cumulative variance for since the September forecast: September 11 - November 10, 1999, & revisions to history.

4 Cumulative variance: since the September forecast (September 1999 & October) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

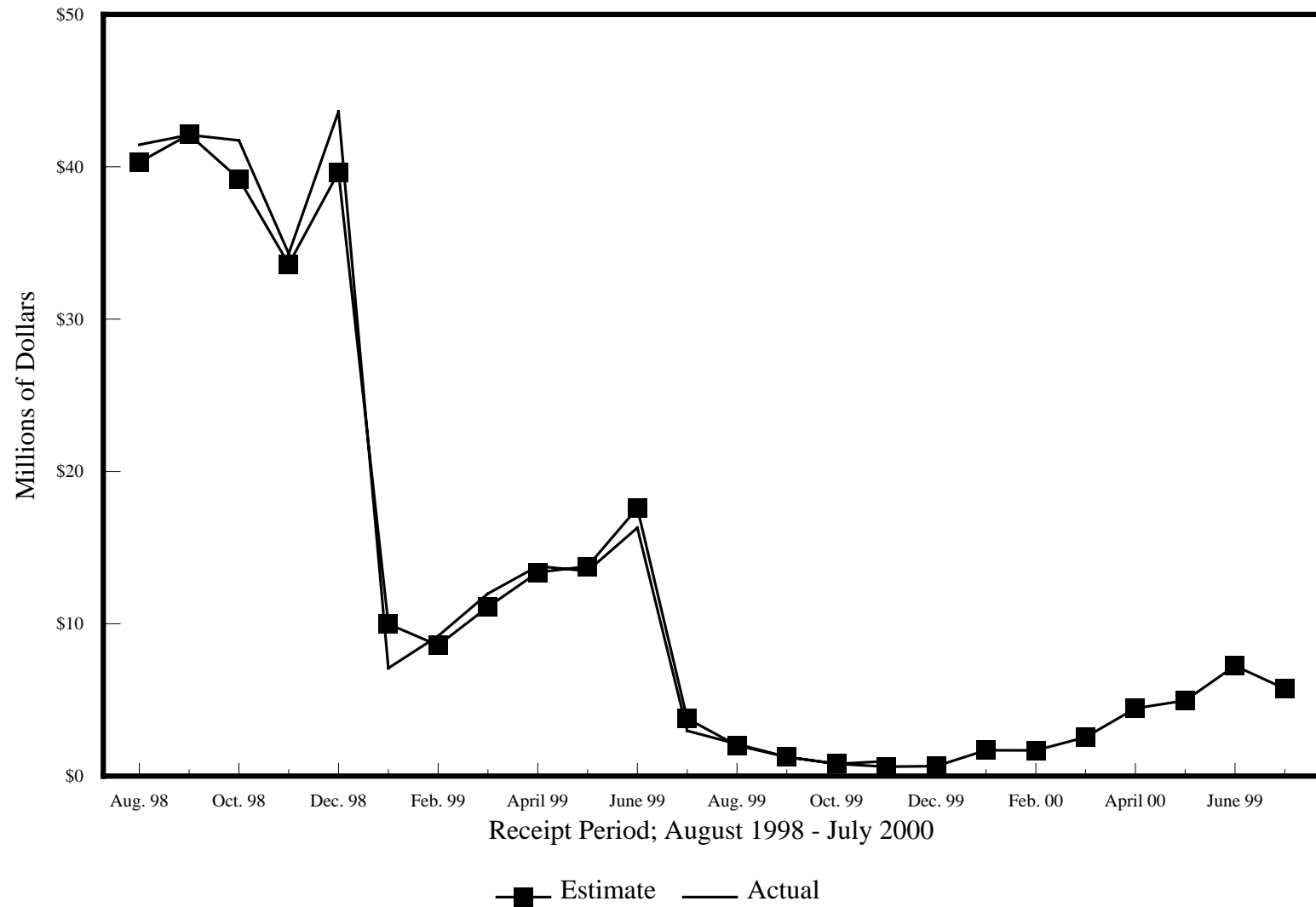
Department of Revenue: General Fund-State, Actual vs. Estimate

July 98 to June 2000



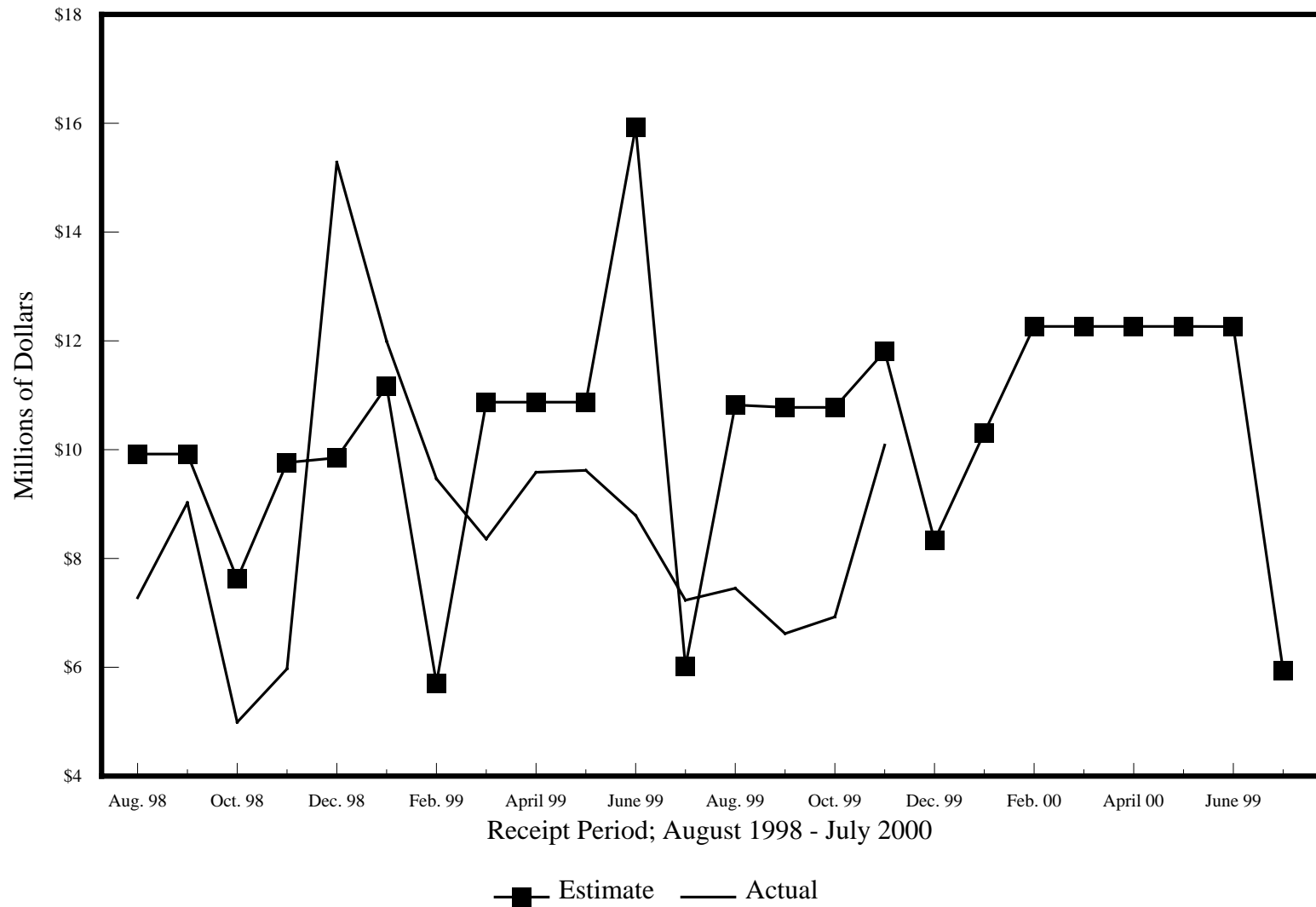
Department of Licensing General Fund-State, Actual vs. Estimate

August 98 to July 2000



Lottery General Fund-State Transfers, Actual vs. Estimate

August 98 to July 2000



Revenue Act Net Collections

Year-over-Year Percent Change

